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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 4, 2010

BP Plc said oil and gas is being received onboard the Discoverer Enterprise following the successful placement of a containment cap on top of the Deepwater Horizon's failed blow out preventer. It said the containment cap is collecting about 1,000 bpd. It is a small portion of the 19,000 bpd that the US government has estimated could be

leaking from the well. It later stated that it continued to increase the amount of oil siphoned from the leak. Work continues on the first relief well, which started on May 2nd and the second relief well, which started on May 16th. Both wells are estimated to take around three months to complete.

The oil spill in the Gulf of Mexico could make crude production from Canadian oil sands look more appealing. The spill is likely to lead to regulations that could increase the costs of deepwater oil production beyond that of developing oil sands. The expense and particular environmental risks of oil-sands development could look more bearable compared with the potentially catastrophic consequences of deepwater drilling.

Iran's President Mahmoud Ahmadinejad said Iran will defend its rights even if a new sanctions resolution is imposed by the UN Security Council.

Refinery News

ConocoPhillips Inc reported release of sulfur dioxide on Thursday from its 306,000 bpd Wood River refinery in Illinois. It shutdown its hydrocracker and reformer units following a storm related power outage.

Flint Hills said its 288,468 bpd Corpus Christi, Texas refinery experienced a brief power outage on Thursday that caused a problem at a sulfur recovery unit. It also stated that it restarted a fluid

Market Watch

The US Labor Department reported nonfarm payrolls increased by 431,000 in May, the largest gain since March 2000. That followed an unrevised 290,000 increase in April. The market was expecting payrolls to increase by 515,000. The increase in payrolls in May was mainly due to the hiring of 411,000 temporary Census workers. Only 41,000 private sector jobs were added in May. It reported that the unemployment rate fell only moderately to 9.7% in May from 9.9% in April.

ICAP Energy, an over-the-counter energy broker, said it will start delivering its oil prices via the InterContinentalExchange platform. It said OTC can bring the key elements of the exchange based futures market, which are price transparency, clearing and trade repository. The broker plans to launch a product called ICAP True Quote later in June. It will be delivered through the ICE platform. Clients will be able to see ICAP's OTC oil prices for products such as fuel oil and middle distillates.

**June
Calendar Averages**
CL – \$72.89
HO – \$1.9933
RB – \$2.0213

catalytic cracking unit at the east plant of the refinery, causing excess opacity. Separately, Flint Hills will restart a crude unit at its Alaska refinery by the end of the month.

Tesoro Corp is restarting a reformer unit at its 166,000 bpd Golden Eagle refinery in Martinez, California following a power outage on Thursday night.

Valero Energy Corp is unlikely to find a buyer for its shuttered 325,000 bpd Aruba refinery after trying for two and a half years. It is pursuing talks on forming a joint venture with Latin American national oil companies in lieu of a sale.

Japan's Showa Shell Sekiyu restarted operations at its 65,000 bpd crude distillation unit at its Keihin refinery on Thursday. The unit was shut since early April due to weak domestic demand for oil products.

South Korea's S-Oil shut down its 73,000 bpd residual fluid catalytic cracking unit on June 1st for scheduled maintenance expected to last until July 8th. S-Oil will cut its run rates in June by 13% to 450,000 bpd on the month due to the unit shutdown.

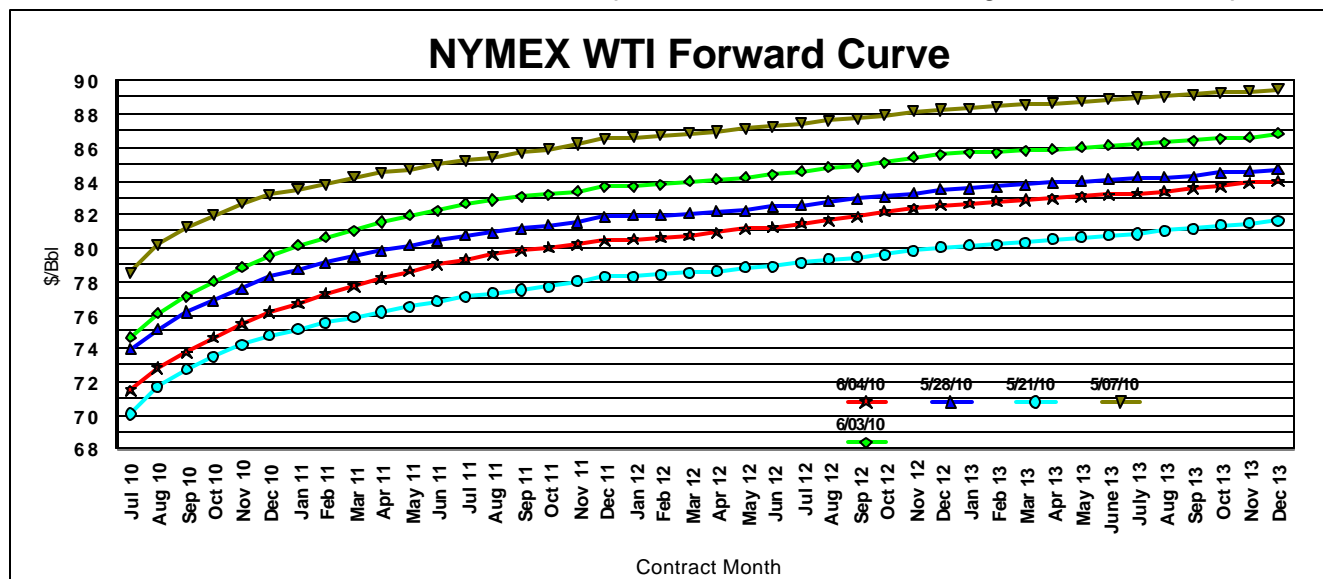
China's Ministry of Transport reported that the country's crude oil imports through seaports in May fell by 7% on the month to 17.29 million tons or 4.07 million bpd. It is up 12.8% on the year.

Indonesia's PT Pertamina tendered to buy nine cargoes of crude oil from Brunei and Nigeria between August and October. It is seeking to buy 600,000 barrels of Seria Light from Brunei, 950,000 barrels of Qua Iboe from Nigeria and 950,000 barrels of Escravos from Nigeria in each of the three months.

Production News

According to Baker Hughes, the number of rigs searching for oil and natural gas fell by 29 rigs to 1,506 rigs this week. The number of rigs searching for oil fell by 10 to 545 while the number of rigs searching for natural gas fell by 20 to 947.

Russia's Economic Development Ministry expects the country's oil refining to increase by 1% on the year to 238 million metric tons in 2010. Oil product exports are expected to increase by 0.5% on the year to 125 million tons. In 2011, oil refining is expected to increase to 240 million tons while oil product exports are expected to amount to 125.2 million tons. By 2013, oil refining is expected to increase to 244 million tons due to the anticipated launch of new refining facilities and oil product

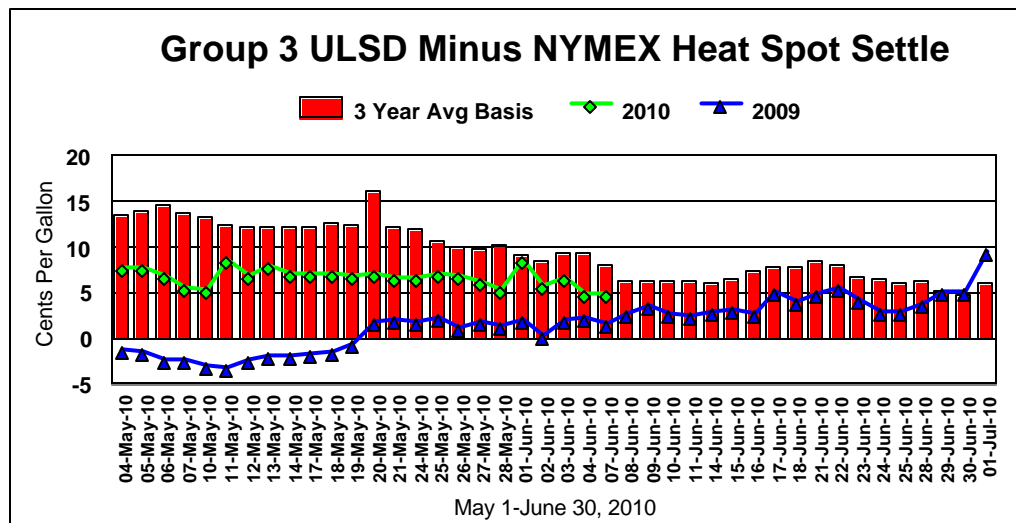


exports are expected to increase to 126 million tons. Russia's output of oil and gas condensate is expected to increase by 1.1% on the year to 499 million tons in 2010 and oil exports are expected to increase by 1.3% to 250.5 million tons. In 2011, oil production is expected to slightly fall to 498 million tons.

By 2013, annual oil production is expected to increase to 502 million tons.

Oman's Petroleum Development Oman said oil exports were halted on Friday due to bad weather as Cyclone Phet hit the country's coast.

Mexico's Pemex said it expects to produce as much as 2.7

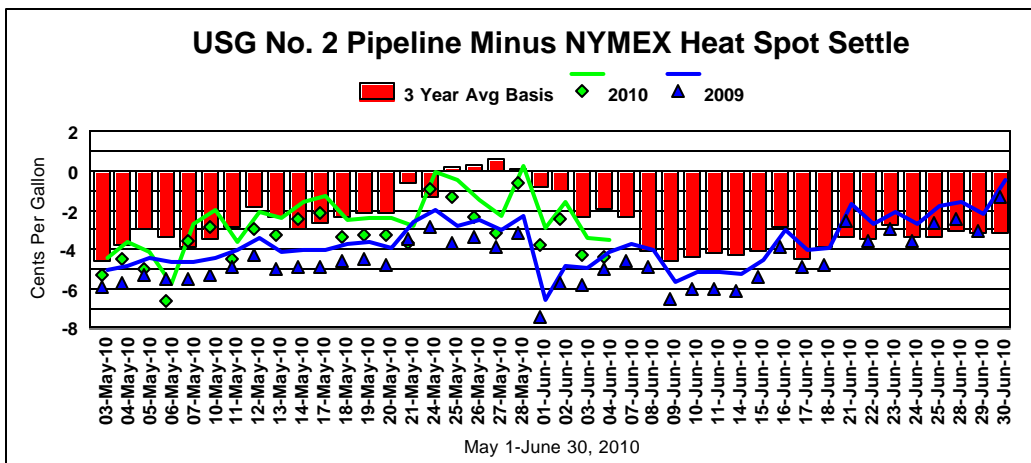


million bpd by 2012. It has been producing an average of 2.604 million bpd this year through May 23rd.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.71 to \$72.86/barrel on Thursday from \$71.15/barrel on Wednesday.

Market Commentary

The oil market posted an outside trading day after the market sold off sharply in light of the dollar's strength as the euro fell on concern over sovereign debt problems spreading to Hungary. The market was also pressured following the Labor Department report showing that payrolls increased by 431,000 in May, compared with market expectations of an increase of 515,000. It reported that only 41,000 private sector jobs were added in May, failing to show clear signs of an economic rebound. The crude market posted a high of \$75.42 in early morning trading on Globex but quickly gave up its gains ahead of the open outcry session. The market was further pressured following the release of the jobless data. The market sold off more than \$3.80 as it posted a low of \$70.79. The market settled at \$71.51, down \$3.10, the largest decline since May 4th. Meanwhile, the product markets sold off sharply, with the heating oil market settling down 8.14 cents at \$1.9577 and the RBOB market settling down 8.59 cents at \$199.53. The heating oil market posted an outside trading day after it posted a high of \$2.0579 on Globex and sold off to a low of \$1.9441 late in the session amid the selloff in the crude market. The RBOB market, which led the products lower, also

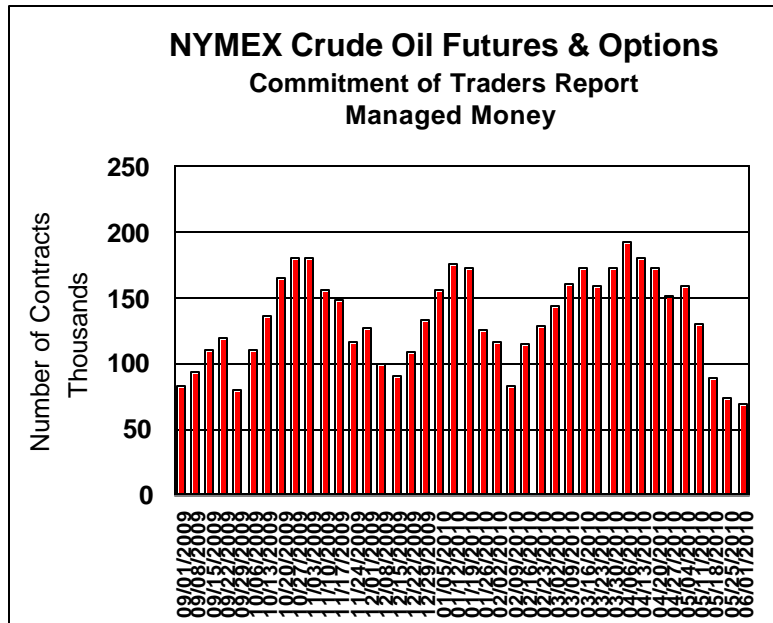


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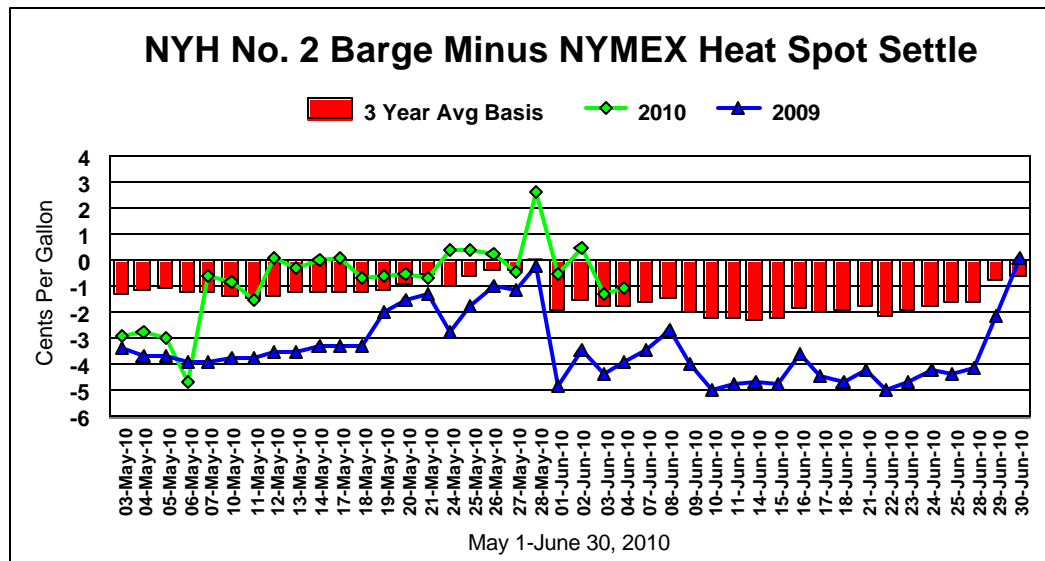
posted an outside trading session after it too sold off to a low of \$1.9826 after posting a high of \$2.0983 earlier in the session amid the concerns over demand. The oil market will remain range bound amid the lack of supportive news. The market is seen finding resistance at \$72.20, \$72.58, \$73.54, \$74.39 and \$75.42. More distant resistance is seen at \$75.72 and \$78.78. Support is seen at \$70.79, \$70.67, \$69.21 and \$67.15.

The Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 15,568 contracts to 24,875 contracts in the week ending June 1st. The combined futures and options report showed that non-commercials cut their net long position by 7,805 contracts to 101,727 contracts on the week. The disaggregated futures and options report showed that producers/merchants cut their net short position by 1,774

contracts to 204,993 contracts while swap dealers increased their net long position by 15,318 contracts to 96,105 contracts. Managed money funds cut their net long position by 5,463 contracts to 68,773 contracts while other reportable cut their net long position by 2,343 contracts to 32,954



contracts. The combined futures and options report showed that non-commercials in the heating oil market increased their net long position by just 455 contracts to 13,652 contracts while funds in the RBOB market cut their net long position by 3,341 contracts to 26,477 contracts on the week.



Crude oil July 10 343,405 -5,001 Aug 10 143,382 10,475 Sept 10 106,551 +1,851 Totals 1,352,857 +7,992 Heating oil July 10 77,609 +2,493 Aug 10 50,066 +2,986 Sept 10 32,929 +771 Totals 306,343 +7,384 Gasoline July 10 87,850 -1,294 Aug 10 44,596 +839 Sept 10 39,243 1,447 Totals 248,372 +1,574

Crude Support	Crude Resistance
70.79, 70.67, 69.21, 67.15, 65.55, 64.20, 63.38, 62.70, 61.61, 60.95	72.20, 72.58, 73.54, 74.39, 75.42, 75.72, 78.78, 78.81, 79.15, 79.75, 80.07, 81.65
Heat Support	Heat resistance
1.9441, 1.9200, 1.8850, 1.8570, 1.8483, 1.8280, 1.7670, 1.7565	1.9815, 2.0192, 2.0390, 2.0579, 2.0845, 2.1515, 2.1760, 2.1920, 2.2155
Gasoline support	Gasoline resistance
1.9826, 1.9668, 1.9499, 1.9323, 1.888	2.0983, 2.1700, 2.2345, 2.3240, 2.4270, 2.4850, 2.5040, 2.5115, 2.7080

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